

2014/15 HRA Rent Increase Analysis

Alternative Strategies



Historical Rent Increases

Year	Increase £	(%)
Subsidy System:		
2010/11	+ £ 1.99	+ 2.63 %
2011/12	+ £ 5.42	+ 6.97 %
Self Financing:		
2012/13	+ £ 5.66	+ 6.81 %
2013/14	+ £ 4.52	+ 5.09 %

Proposed 2014/15 Rent Increase



2013/14 Average Rent & Service Charge	£93.34
Add : Inflation (3.2%+0.5%) Increase	+£3.45
Add : Rent Restructuring Increase (1.92%) +/- £2	+£1.78
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Overall Increase (5.61%)	+£5.23
2014/15 Average Rent	£98.57

2014/15 Rent Increases elsewhere

- Stevenage (currently) 5.61% (RR)
- Dacorum 5.23% (RR)
- St Albans 5.80% (RR)
- Corby 5.00% (RR)
- Welwyn Hatfield 7.22% (RR+)
- Lambeth (2 options) 4.90%
5.50% (RR)
- Leicester (2 options) 4.70% (RR)
3.20% (RPI)

Rent Restructuring – The Facts

- Restructuring was introduced in 2002 to align rents in council and housing association properties and was expected to achieve convergence by 2016.
- In a surprise move last summer, the DCLG revealed it is 'minded not to extend rent convergence beyond 2014/15'.
- Therefore, from 2015/16 social landlords are to use a new rent setting formula of the CPI plus 1%.
- The formula is to be fixed for 10 years and replaces the current formula of RPI plus 0.5% plus £2.

Rent Restructuring – The Facts

- Up until the HRA self-financing settlement, the pace of rent convergence was dictated by the subsidy system.
- The Executive has long argued that converging Council rents with RSL rents is not a local policy objective.
- Ultimately, since self financing the Government no longer has any direct mechanisms to ensure we implement rent restructuring.

Council Tenant Profile

	31 Mar 2012	31 Mar 2013	31 Dec 2013
Total Properties	8,229	8,251	8,162
Current Rent Collection rates	98.64%	98.58%	99.14%
Number of Tenants on HB	4,728 (57%)	4,770 (58%)	4,740 (58%)
Number of Tenants in Arrears	1,565 (19%)	1,655 (20%)	2,080 (25%)
Average Value of Arrears	£354.92	£300.45	£263.20

2014/15 Rent Increase Options

- Rent freeze +£0.00 (0.00%)
- Rent increase (CPI only) +£2.52 (2.70%)
- Rent increase (RPI only) +£2.99 (3.20%)
- Rent increase (Current Policy) +£5.61 (5.23%)

Financial Implications

	Rent Loss (14/15)	Rent Loss (30 Yrs)
Rent Freeze	- £2.170 million	- £73.8 million
CPI Rent Increase	- £1.124 million	- £38.4million
RPI Rent Increase	- £0.940 million	- £31.8 million
Current Rent Increase	£0	£0

Current HRA Business Plan Issues

- Right to Buy Impacts (**£171 million impact**)
- Early termination of Rent Restructuring (**£25 million impact**)
- Next 10 Year Investment Shortfall (**£41 million impact**)
- New Build Programme (**£61 million favourable**)
- **NET POSITION** **£176 million impact**
- Beyond Decent Homes (**TBC £ impact**)
- ARK Business Plan Review (**Report March/April impact**)

Options to Fund a Rent Increase Reduction

Options	Approved £' 000	Reduction £' 000
DELETE Growth bids 2014/15:		
Works to difficult to let properties (HG7)	£250	£100
Development & Regeneration capacity (HG1)	£125	£50
DELETE Growth for 2015/16:		
Reduction in allowance in 2015/16 (use balances 2014/15)	£250	£250
INCREASE HRA Savings 2014/15:		
Make in-year savings / force under-spends (on-going)	£0	£100
Consider savings deferred re Support Housing options, £237K 2015/16 (use balances 2014/15)	£0	£237
REDUCE Capital Programme:		
Reduce Revenue contributions & re-phase investment programme	£0	£350
Total Possible Reductions		£1,087

The New Build Challenge

- Current annual new build budget : **£2.85 million**
- Should deliver approx. **20 new builds per annum**
- **By 2017/18** budget to have delivered **129 total new builds**
- However, **Loss of properties** through RTB's means we **need to build 170 additional** new properties by 2017/18 to maintain the income in the Business Plan
- HRA additional **funding to 2017/18 required £23.8Million**

Options to reduce Spend

Changes to Capital Programme:

- Reduce sheltered accommodation re-design included in current programme
- Reduce current new build programme
- Reduce decent homes investment standard
- Delay programme works and complete over a longer period of time

Changes to Revenue Programme

- Identify further savings
- Increase Rent above CPI in future years

Conclusions

- Government controls on rent increases minimal.
- HRA Business Plan needs enhancing.
- A reduction in the Rent Increase for 2014/15 is **possible if an alternative investment strategy or increased savings programme is agreed.**
- A simple rent increase reduction below the Business Plan assumptions without compensatory savings elsewhere in the HRA is **not viable** from a S151 perspective.